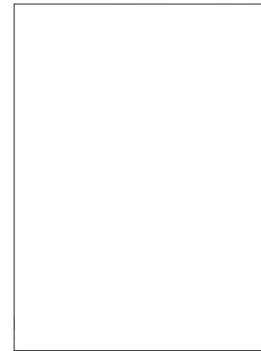


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**Memorandum for:**

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The attached was sent to [redacted]  
[redacted] Chief, Political Instability Branch,  
IIC, OGI, per his request.

EUR M83-10274

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**Distribution:**

- 1 - DDI
- 1 - ADDI
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- 1 - Author

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*EUR M 83-10274*

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**EUR A**

**Office of European Analysis  
Directorate of Intelligence**

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Place	Social/Economic/Political Threat	
	1983-1985	1986-1989
Lisbon, Portugal	1. Internal Stability VL	L
US Embassy	2. Security VL	L

Rationale:

Portugal has settled into democracy after a long period of dictatorship and a brief period of radical leftist political and economic experimentation. Even if there were a rapid succession of ineffective governments, we believe there is sufficient agreement on values and goals within Portuguese society to ensure moderate rule through 1989. Portugal is likely to remain one of Europe's poorest countries, but we believe the economy would have to deteriorate dramatically and remain severely depressed for a prolonged period of time before popular unrest threatened the democratic system. The Communists control the largest trade union and remain a potentially disruptive force. The majority of Portuguese, however, accept that the current government's austere economic program is necessary to reduce the large current account and budget deficits, bring down inflation, and begin structural adjustments needed to prepare the country for EC entry (perhaps by 1986). In the short term accession to the EC will almost certainly boost unemployment and put renewed pressure on the current account, but the country should benefit over the long term from EC financial assistance and from an improved business investment climate. Terrorism, largely unknown until 1980, is still insignificant and unlikely to grow to a size sufficient to disrupt or bring down the system. The military, in the past active in politics, shows no interest in leaving the barracks.

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A terrorist attack on the US Embassy is improbable. If it happened, it would likely be perpetrated by foreigners. We do not believe the Embassy or US interests generally would be threatened by the collapse of the democratic system. A move against the government from the right would probably stem from the military, which is largely pro-US. Even the Communists would, we believe, be circumspect in violating the Embassy for fear of US -- or even public -- reaction. In our view, the country would have to be in a state of anarchy before the Embassy would be in serious jeopardy.

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